



South
Derbyshire
District Council

Local Council Tax Support Scheme Local consultation



have your say

open to residents

be part of this **important** decision!

15th Aug – 7th Nov

The new scheme will be agreed by January 2013.

Share your views with us on the four potential options.



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**South Derbyshire
Changing for the better**

LOCAL COUNCIL TAX SUPPORT SCHEME – PUBLIC CONSULTATION

From April 2013 the Government is abolishing **Council Tax Benefit**. It will be replaced by a new scheme called **Council Tax Support**, which will be designed and administered by each local council. Currently, Council Tax Benefit is based on a national scheme that applies across England and Wales.

As well as having to design a local scheme that is suitable for South Derbyshire, the Council must also deliver the new scheme with a budget that has been reduced nationally by roughly ten per cent. Estimates suggest this represents a reduction of approximately **£500,000** for South Derbyshire.

As part of the new scheme, the Government also requires all councils to protect pensioners so that they receive the same level of support as they do now. In addition, councils will be expected to protect other “vulnerable” groups, but this will be up to each council to decide.

If certain groups of people have to be protected, this means that the level of support for those of working age in particular may have to be reduced by much more than 10% to make up the difference.

This reduction in funding means we have to make some difficult decisions about who gets financial support and how much. Therefore, we are undertaking local consultation to find out what the public think before we finalise our local scheme.

This consultation is open to South Derbyshire residents and will take place between the 15th August 2012 and 7th November 2012.

This planned consultation includes:

- An Online Survey hosted on the Council's website for all residents for the duration of the consultation.
- A hard copy survey available on request from the Council Offices, local libraries, leisure centres and through South Derbyshire CVS.
- Consultation by engaging with hard to reach groups will be undertaken through South Derbyshire CVS during September 2012.
- A presentation on the options and a chance to have your say at the next round of Area Forums in September/October 2012.
- A number of focus groups with local residents and other stakeholders during September 2012.
- A presentation on the options to Parish Councils at the next Parish Liaison Group in October 2012.
- A presentation to the Tenants Forum on the 3rd October 2012.
- An opportunity to hear or read about the options in the local media and be kept up to date through the Council's social media channels.

During this period, we are encouraging residents to share their views on the potential options as part of the consultation. During this period the Council will also be meeting to discuss these options and plan the introduction of a new scheme. The views of residents that come out of this consultation will be an important part of the decision making process before the Council agrees its final scheme, which it will need to do by **January 2013**.

Frequently Asked Questions

1. What is Council Tax?

Council Tax is a local tax on domestic properties. It is set by the Council based on a property's valuation band. Each home is placed in one of eight valuation bands based on its value at 1st April 1991. The Council is responsible for collecting Council Tax and this money helps to fund local public services, including refuse collection, leisure facilities and environmental health.

2. Who has to pay Council Tax?

Council tax is a charge, which is usually paid by the occupants of the property. The full tax assumes that there are at least two adults living in the property. If there is only one occupant in the home, they may be eligible for a discount. The tax is also paid by the property owner where the property is unoccupied and no relief is applicable.

3. What happens now and what is the Change?

Council Tax Benefit is currently fully funded by the Government. Local councils assess and pay out benefits to people who qualify in their area, but all payments are reimbursed by the Government.

From April 2013 the Government will withdraw most of this funding. They are doing this as one of the ways of meeting the national budget deficit.

In its place, they have asked each local council to set up a local Council Tax Support Scheme. Councils will receive 90% of the current funding to run the new scheme. For South Derbyshire, this will be £500,000 less than currently received.

This means that the overall level of support towards council tax bills for those who receive it will have to be reduced, unless councils decide to find the money from elsewhere in their budgets, or from Council Tax charged to other residents.

Local councils will also need to budget for any increased amount of Council Tax Support it may have to pay out during the year if more people claim. This is being seen as a major problem for councils as generally the population is aging and more people will become eligible for support in the future.

4. Why Change?

Localisation of Council Tax Support is part of a wider set of reforms of the Welfare System which the Government sees as:

- Improving the incentives for people to work
- Ensuring public resources are used more effectively
- Reducing a culture of benefit dependency

5. Who will these changes affect?

Potentially, all current working age claimants will be affected by these changes and might see their benefit change. Although pensioners will move onto the new scheme, they will be protected and will not have their benefit reduced under the new scheme. This may also apply to some other “protected” groups.

6. What is Council Tax Benefit?

Council Tax Benefit is a means tested benefit that helps people on a low or no income to pay their Council Tax. It is administered by local councils using rules set nationally by the Government. No money is paid to the claimant. Instead, their Council Tax bill is reduced by the amount of their benefit.

7. Who can get Council Tax Benefit currently?

Anyone who is liable for Council Tax may apply. In the case of couples, a joint claim should be made. The amount of benefit they can receive is based on the makeup of their household, the amount of money they have coming in and their Council Tax charge.

8. Are other current Discounts and Exemptions affected?

The main discounts and exemptions, such as the 25% single person's discount and the exemption for people who are severely mentally impaired and live on their own, will not change. The Council does have some discretion on how much it charges for people with second homes and empty properties.

9. Who will be able to get the new Council Tax Support?

Anyone who currently receives Council Tax Benefit will be assessed for the new Council Tax Support. It is likely that most people who qualify for Benefit will continue to get some Council Tax Support, although in some cases this could be lower. Anyone liable for Council Tax may apply for Council Tax Support and will be assessed in the same way as current claimants moving from Benefit.

10. How much will I have to pay?

Depending on how the new scheme is designed, it is likely that most working age people who qualify will pay more Council Tax. The outcome of this consultation will help to determine how much more people in different groups will have to pay. Pensioners will not have to pay more than they do now.

11. Will I have to re-apply?

If you currently receive Council Tax Benefit you will not have to re-apply under the new scheme. You will automatically be re-assessed using the new rules. Your award may be reviewed once you have moved across to the new scheme.

Options that are being considered as part of this consultation

There are many different Council Tax Benefit rules that can affect the amount of support a person may receive and the majority of them affect different groups of people.

Initially, a decision will need to be made to what extent the cut in funding, is passed onto the claimants of this benefit.

Secondly, vulnerable and other protected groups need to be identified, then a decision is required on how much the qualifying criteria is changed (if any) or whether an equal percentage reduction is applied to all remaining groups to meet the funding gap.

Vulnerable / Protected Groups

The Government are intending to make it a legal requirement that pensioners are protected and will receive the same level of support as their current benefit entitlement. This means that working age claimants become the Group affected by this change.

The Government have indicated that councils should consider the following groups in deciding who should also be protected, although some protection will remain for these groups as under the current scheme.

- Single Parent Families
- People receiving benefit for any Disability

The Council also currently runs a local scheme that affords protection to **War Widows** and **War Disabled Pensioners**. The Council will also need to decide if this group will continue to receive support as now, although this group is mostly made up of pensioners who will be protected in any case.

A number of factors will need to be considered in designing a local scheme.

Each option detailed below is outlined, but a combination of options could be used for the new scheme.

There are four main options proposed, although there are different ways of achieving Option 4.

- 1. Adopting the current national benefit scheme and absorbing the cost against current and future budgets.**
- 2. Increase the Council Tax level and/or reviewing discounts to make up the shortfall in funding.**
- 3. A maximum reduction of between 25% and 30% on Council Tax Benefit across all unprotected groups.**
- 4. A targeted reduction by changing the way we calculate Council Tax Benefit entitlement.**

All savings quoted are estimates and are based on the latest position as per the current numbers and year in question.

Option 1 – Adopting the current national benefit scheme and absorbing the cost against current and future budgets

With this option, the District Council would adopt the current national benefit scheme as its local scheme and continue to apply the existing rules. Therefore, nobody on benefit currently would see any difference (other than if their personal circumstances changed) and all benefits would be paid as now. If this was to happen the District Council will have to find **£500,000** to fund this loss in grant.

This could potentially be done through:

- Reductions in budgets that may impact on service delivery.
- Abandoning identified spending commitments and absorbing this cost to cover the loss in grant.

However the issue with this option is that a large part of the cost will fall on other public authorities that also provide services in South Derbyshire.

These include Derbyshire County Council, the Police Authority, the Fire Service and Parish Councils. Some of their funding comes out of the Council Tax levied on residents of South Derbyshire.

Therefore, although the District Council may be able to find the extra money, other authorities may not and this may have an impact on the provision of services through these authorities. This could cost the other authorities and have an impact on other services such as Education or Social Services provided by the county or the provision of the police and fire services or other local services provided at a Parish level.

Option 2 – Increase the Council Tax level and/or reviewing discounts to make up the shortfall in funding

This is similar to Option 1 in that the District Council would have to find **£500,000** to fund this loss in grant, but the cost could be financed through changes to the Council Tax levels and/or discounts. This could include:

1. Reducing other council tax discounts (such as those with second homes).
2. A general increase in Council Tax for everyone

1. Discounts

The Council already charges 90% for second homes and the remaining 10% would generate an additional **£22,000 per year**. On its own, this would not make up all the difference required.

The Council could also charge council tax earlier where a property is empty or awaiting a major repair. Currently, these properties do not pay any council tax for 6 and 12 months respectively. The Council could start charging earlier. However, this becomes more difficult to manage because lots of properties are only empty for a short time, for example, as people move house. However, this would generate a lot more income up to **£500,000 per year** if a charge were made on the day a property became empty. Alternatively, the Council could start charging earlier, say after 3 months and this would still generate more income but not enough on its own to make up the difference.

2. Increasing the Council Tax level

To make up the difference of **£500,000 per year**, would require an increase in council tax of about **10% or £125 per year on an average Band D Bill**. Currently, the Government set maximum increases at **3.5% or about £51 per year on an average Band D Bill**.

Option 3 – A maximum reduction of between 25% and 30% on Council Tax Benefit across all unprotected groups

A percentage amount would be calculated and applied across all unprotected groups in order to make up the difference. Although this would be fairly straightforward to apply, the more people that are protected, the more remaining groups pay to make up the difference.

In South Derbyshire, almost **50%** of current claimants of council tax benefit are pensioners. In addition, **7%** of claimants are single parent families and **10%** are people with disabilities.

Based on the current levels of council tax benefit, excluding these groups completely means that about **33%** of claimants, around 2,000 households would need to make up the difference. This would reduce their current support towards council tax by as much as **25% to 30%**, or on average up to **£5 per week**.

People who currently pay no Council Tax will probably be worse off compared to those who currently contribute something.

Option 4 – A targeted reduction by changing the way we calculate Council Tax Benefit entitlement

There may be a number of ways of achieving this, although some options on their own would not make up all the difference.

The main options that could be considered are detailed overleaf along with an estimated saving.

These options assume that all pensioners, single parent families, families which include a disabled person or child and war widows continue to receive the same support as now, although the Council has to decide if any group is to be protected in the same way as pensioners under the new scheme.

All savings quoted are estimates and are based on the latest position as per the current numbers and year in question.

Targeted Reductions

Banded Discount Scheme: In the current scheme, a person could get 100% Council Tax Benefit, no matter what the size of the house was in which they lived. This could change so that a person's Council Tax Benefit is limited to a Council Tax Band, irrespective of the Band in which it is actually placed.

For example, if support were limited to the equivalent of Band A, for the parish in which the property was located; this would save about **£307,000**.

Changing the amount of savings a person can have before benefits are given: In the current scheme, a person is not entitled to Council Tax Benefit when their savings are more than **£16,000**. Any savings their partner may have are also taken into account. This might change so that the savings limit is less than **£16,000**.

For South Derbyshire, this change would only make a small amount of savings. For example, if the savings limit were halved to **£8,000**, it would save about **£28,000**.

Removing Second Adult Rebate: At the moment if you can afford to pay your Council Tax but live with someone on a low income you may be able to receive help with your Council Tax. Again, for South Derbyshire, this change would only make a small amount of savings on its own **£16,000**, as there are only a small number of claimants.

No Backdating of Benefit Awarded: The Council backdates benefit in certain circumstances. If benefit is, in future, only awarded when a claim is notified to the Council this would save about **£14,000**.

Include Child Benefit as an income: Currently Child Benefit is payable for each child in a household regardless of the parents/carers income. In the present scheme Child Benefit is not taken into account as income. If Child Benefit were included in the assessment of Council Tax Support it would save about **£169,000**.

Include Maintenance Payments as an Income: As Child Benefit above, if these payments were included in the assessment, this would only save **£1,100**.

Increasing contributions from other Adult Members of the Household: Council Tax Benefit is assessed on the needs of the claimant, partner and dependent children. Other adults within the household are expected to contribute towards the Council Tax Bill depending on their income. This could change so that these adults contribute more towards the Council Tax bill. However, for South Derbyshire a 100% increase in this contribution would only make a small amount of savings on its own **£28,000**.

Changing the rate at which Council Tax Benefit is withdrawn where a person has more income than the law says they need to live on: At present someone can receive help to pay for all of their Council Tax. The amount they get will depend on how much money they have coming in. If they have more money coming in than the minimum the law says they need to live on, it would mean for every extra £1 they have, they are expected to pay 20p per week towards their Council Tax.

This could change so people will pay more than 20p for every extra £1 they have in income. For example, if this were increased to 25p per week, it would save about **£77,000**.

Introducing a maximum limit on the amount of Council Tax Benefit that can be paid:

Currently we are able to give people on the lowest incomes help to pay all of their Council Tax. This could change so that people can only get help to pay part of their Council Tax, no matter what their circumstances are. This rule could be applied across all unprotected claimants, which would mean everybody would have to pay at least a set proportion of their Council Tax bill before being awarded benefit.

For example, if claimants had to pay 10% of their bill, the level of saving would be in the region of **£313,000**, i.e. people would be awarded benefit on 90% of Council Tax liability. The amount increases as people are asked to pay more.

This is different to **Option 3**, where there would be a straight percentage reduction in current benefit awarded towards the full Council Tax. Consequently, people who currently pay no Council Tax would probably be much worse off here compared to **Option 3**.

Have your say

Please share your views with us on these options.

This consultation is open to South Derbyshire residents between the 15th August 2012 and 7th November 2012.

Your views will be an important part of the decision making process before the Council agrees its final scheme, which it will need to do by January 2013.

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